Thank you. It is an honor to be with so many Texans who care so much about this state. I am grateful for the intellectual brainpower that emanates from the men and women who are affiliated with a great policy think tank: The Texas Public Policy Foundation.

Let me single out a special group of folks with us today - the men and women who have stood for positive change in the last 12 months, who voted for lawsuit reforms that protect medicine and who bridged a $10 billion budget gap without raising taxes on hardworking Texans - the distinguished members of the Texas Legislature.

Two of those fine legislators are leading the charge when it comes to improving education. They have devoted countless hours to making sure our children are taught the basics and taught by some of the best. Like many Texans, I am truly grateful for the service and leadership of Senator Florence Shapiro and Representative Kent Grusendorf. Education is the foundation for a future of unlimited opportunity and prosperity. Educated Texans are empowered Texans - empowered to pursue the jobs they desire, and the quality of life of their choosing.

I think often about the difference dedicated educators made in my life during my years at the Paint Creek Rural School - teachers like Tom Pritchard. Mr. Pritchard not only taught social studies and math, but he was also our principal, my coach and the bus driver. Now that is administrative efficiency. He was just one of many educators who pushed me to excel. And because of their dedication, I am proud to tell you I graduated in the top ten in my class of 13 students.

What we have done to improve education in Texas over the past decade is nothing short of remarkable. From 1994 to 2002, passing rates on the TAAS test increased from 53 percent to 85 percent. Scores have gone up across the board, among various demographic groups, at every grade level tested. And our students have consistently ranked in the top ten nationally on reading, writing and math tests.

The facts on education spending are telling. Since 1999, we have dedicated 7.1 billion new dollars to Texas schools. Fifty-four percent of that total, nearly $4 billion, is above and beyond what was needed to keep up with enrollment growth. Teachers who have been in the classroom since 1999 have experienced an average salary increase of nearly $9,300. In fact, when you compare teacher salaries in Texas to the rest of the nation, and include a cost-of-living adjustment, we’re 16th in the nation.

According to the National Education Association, Texas public schools receive $10,400 for every student they educate. That’s not a figure you hear often, but it is the only one that actually reflects how much our schools receive
per child. And when you adjust the NEA data for cost of living, Texas is 12th in the nation in terms of the total dollars made available to our schools per student. In just five years, we have increased per student spending statewide by $1,900 a student. And among the ten largest states, we rank first in education spending based on the personal wealth of our state.

We have made great progress in our schools because we have funded priorities. We have re-emphasized the basics of reading, math and science. We have developed a strong system of academic accountability. And Texas is home to some of the most dedicated, professional educators in America!

But we don’t just want more children to pass. We want more children to excel. I believe now is the time to usher in a new era of educational excellence in Texas that is not based on meeting minimum standards, but focusing on maximum achievement.

For months I have discussed four principles I would like to see achieved during any special session on education. The first principle is to improve public education by rewarding educational excellence. Second, I believe it is time we cut, control and cap school property taxes. Third, I believe we must maintain equity in education funding, while eliminating the divisive Robin Hood funding scheme that requires local education dollars to be spent outside local communities. And fourth, we must sustain and enhance a healthy job climate.

Until this week, the school finance debate has been focused almost solely on tax trade-offs. But I believe the most important aspect of this debate is the quality of our schools, and the achievement of our students. You see, I think we must decide on the final destination first, and then plot the course. Educational excellence is the destination I am seeking and it is where we must focus the most attention as a state. So let me be clear: if we have a special session this year, the subject will not be school finance, it will be educational excellence. School finance will be an integral part of a session on educational excellence because how we finance education is the course to that destination.

This week I have announced six new results-based performance incentives that will give schools every reason to strive for maximum student achievement. When we tie money to results, we will get more results for our money. I agree with Chairmen Shapiro and Grusendorf that when it comes to the teaching of our children, it ought to pay to perform. With $200 million set aside for a new Teacher Excellence Incentive, I want to reward teachers that achieve excellence in the classroom based on the meeting of specific performance measures, and I want to reward proven, experienced teachers who elect to teach in the toughest learning environments - underperforming schools that serve large numbers of disadvantaged students.

Let me give you an example of how incentives work in a different arena. Louisiana State University placed an incentive in their football coach’s contract that stated they would top the salary of the highest paid coach in the nation if he won the national title. And lo and behold, he went out and did it, and they paid him even more than the incentive in his contract so he wouldn’t take a job in the NFL. If we can provide incentives for victories on the football field, then why can’t we reward victories in the classroom?

I am also proposing incentives that reward commended performance on the new TAKS test, completion of Texas’ toughest curriculum - the distinguished achievement program - and success on the Algebra One exam. Algebra is a critical gateway subject that a student must master before succeeding in other math courses and later in college. Last year, 166,000 students passed the Algebra One exam, including 34,000 at-risk students. With a $100 incentive for every student that passes the Algebra One exam, and a $200 incentive for every at-risk student that passes the exam, we can ensure that students who struggle with algebra get the help they need and stay on course to graduation.

My Commended Performance Incentive will provide schools an additional $100 for every student that scores a 90 or higher on all sections of the test, and a $200 increase for commended at-risk students. And my Distinguished
Achievement Incentive will provide an additional $1,000 for each graduate of the distinguished achievement program, and $2,000 for each at-risk graduate. I have also proposed a new incentive to help more students with Limited English Proficiency succeed on the TAKS. Last year, of the 630,000 LEP students who took the TAKS, fewer than 100,000, or less than 15 percent, passed the test. And that data includes tests taken in Spanish. We must do better, and under my plan we will because we will reward schools with an additional $100 for each LEP student that passes the TAKS, and a $200 increase for each student that achieves commended performance.

At the heart of my plan is a new enhancement to high school funding that will help keep more students in school and on track to graduation: the High School Advancement Incentive. The concept is simple. Our high schools will draw down an additional $100 for each student that makes it to the tenth grade, an additional $200 when they advance to the eleventh grade and $300 by the time they reach their senior year for a total of 600 new dollars for every student they keep in school.

Some have resisted the idea of results-based performance incentives because they would prefer that we just spend more money without regard to additional results. And others have insinuated that some schools will not benefit from my proposals, betraying their belief that some children can't learn. That is exactly the kind of mindset I believe President Bush is talking about when he laments “the soft bigotry of low expectations.” Every child can learn, and every school can succeed. If parents and taxpayers don't have low expectations for our children, why should any of our schools?

Those who have attacked my plan on the grounds of funding equity fail to understand it. Every school in every community can access additional funding under this proposal. In fact, if you serve more at-risk students, you have the potential to attract the largest incentives. Let's add it up for a minute. If you have an at-risk student, and you find a way to reach that child and motivate them to succeed, you will qualify for $200 if they pass the Algebra One exam, another $200 if they excel on the TAKS test and $2,000 if they complete the distinguished achievement program. And if they speak English as a second language, they will draw down $200 more from my LEP incentive. That is $2,600 in additional funds based on the performance of just one at-risk student. And that doesn't count the extra money they will draw down as the student advances to each grade of high school. And just put the money aside for one moment, and think about the difference a school has made in that child's life: they now can go to college, succeed in the job market, and experience a future of unlimited opportunity. But none of that will happen with a mindset of low expectations.

Today I would like to propose one more incentive that is targeted toward schools that must make a lot of progress if they are to achieve a higher standard of classroom excellence - the Student Progress Incentive. Here is the concept. We have in statute today a “Successful Schools Fund.” I propose we dedicate $100 million to this fund, and allow schools to gain access to those dollars based on progress in student performance. Any school that makes significant progress in student achievement in the performance areas targeted by my incentive proposals will be eligible for funding from the Successful Schools Fund. This means a school that is a long way from achieving excellence, but makes true progress toward that ultimate goal, would benefit from money made available by the Student Progress Incentive.

And let me take a moment to explain one final concept that is essential to the success of the seven results-based performance incentives I am proposing - a new “Truth in Education Spending” measure that will help taxpayers understand in detail how local education dollars are spent. The goal of educational excellence is directly tied to operational efficiency with taxpayer dollars. Last year, Senator Shapiro passed into law a bill that establishes financial accountability measures for our schools, and rates districts based on their financial management. And I know that she and other members of the legislature have shown interest in building upon this idea by requiring more details from schools on how they spend tax dollars. The fact of the matter is that the average taxpayer has a very hard time finding out exactly how our schools spend their dollars. They can request that information, but when they receive it, it is often written in bureaucratic code. I believe if taxpayers are going to foot the bill, they are entitled to look at every item on
Working with Governor Dewhurst, Speaker Craddick and legislative leaders, I want to strengthen financial accountability in education so we know how our schools are spending every dollar. School spending ought to be transparent, and simple to understand. Taxpayers deserve to know what percentage of their dollars makes it into the classroom, and what exactly is classified as a classroom expenditure. Administrative costs should be listed line-by-line. Texans deserve to know exactly what they are getting for their tax dollars, and whether their schools are operating efficiently. They deserve to know whether their schools have appropriate safeguards to prevent fraudulent activity, and whether facilities costs are in line with other districts. They deserve to know if school districts are using tax dollars directly or indirectly to retain high-priced lobbyists and PR firms to extract higher taxes from the very same taxpayers who are picking up the tab! And taxpayers deserve to know why $5.5 billion is sitting in local school fund balances, an amount that is approximately $1 billion more than what is recommended by the Texas Education Agency for emergency purposes, even as some school leaders claim they are cash-starved and in need of billions of new dollars of education spending.

Educational excellence means we need more education for our money, not just more money for education. My plan doesn't require a bunch of new programs or new bureaucratic hoops, It utilizes the existing curriculum and existing performance measures to get the job done. And even better, it involves funded incentives, not unfunded mandates!

How do I know results-based performance incentives work? Because they are already working. Since 1997, we have been reimbursing schools up to $100 for each student that scores 3 or better on the Advancement Placement test. And from 1997 to 2002, the number of students taking A.P. exams has more than doubled. The number of students succeeding on the A.P. test has also doubled, and the number of African-American and Hispanic students that have taken the test has nearly tripled. The arguments made against incentives by the advocates of the status quo crumble in light of the success of the A.P. incentive. And the fact of the matter is, there are school districts succeeding today that serve large numbers of economically disadvantaged students without the benefit of any of the incentives I am proposing.

Any organization that approaches a challenge stating why it can't accomplish something will surely achieve that end. But I believe the mindset should not be “we can't and we won't” but instead “we can and we will.” I appointed Galena Park Superintendent Shirley Neeley as our newest Commissioner of Education because she took over a school district that was struggling and she turned it around by saying “we can and we will.” Because of Dr. Neeley's vision and determination, Galena Park ISD with a student population that is 66 percent economically disadvantaged and 88 percent minority is now the largest, most diverse school district in the state with an exemplary rating.

I want children all across Texas, just like the children of Galena Park, to succeed. Achieving educational excellence means doing more than meeting the minimum standards. It means ensuring every child reaches their maximum potential. When we fund failure equally with success, we make failure its own incentive. When we predicate additional funding on additional progress, we make excellence the focus of every school in every district everywhere in Texas. And our children deserve nothing less. Thank you.